

TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	1
EXECUTIVE SUMMARY	2
DISTRICT RESPONSE	2
FINDINGS AND RECOMMENDATIONS	
Cash Receipts	
Daily Mail Record of Cash Receipts	2
Frequency of Deposits	3
FIA-61 Log Reconciliation	3
Disposition of Warrants Not Timely	3-4
Pending FIA-138's	4
Cash Disbursements	
Authorized Signer – Separated Employee	4
DAFR-7310 and DAFR-3801 Reports	5
Safe and Controlled Documents	5
Medical Transportation	5
State Emergency Relief	
Payment Authorization Files	5-6
Employment Support	
Auto Repair Overpayment	6
Verification of Auto Ownership for Repairs	6
Client Processing	6
CIS/ASSIST	
CIS Security Agreements	7

Off Site Storage of Tapes	7
CIS Status Codes	7-8
CIS/ASSIST Status Codes	8
MA-010 Reconciliation –Supplemental Payments	8
MA-010 Reconciliation - Case Openings and Warrant Rewrites	9
IRS Information Security	
Knowledge of IRS Security Procedures	9
Payroll and Timekeeping	9
Procurement Card	10
Telephone Usage	
Calling Cards	10
Child Well Being	
FIA-2506 Forms	10

INTRODUCTION

The Office of Internal Audit performed an audit of Redford District for the period October 1, 1999 through April 20, 2000. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. The Redford District had 143 full time equated positions (FTE's) at the time of our review. The Redford District provided assistance to an average 8,791 recipients per month during FY 1999, with total assistance payments of \$12,290,028 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Redford District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts

Safe and Controlled Documents

Medical Transportation

State Emergency Relief (SER)

Client Processing

IRS Information Security

Procurement Card

Cash Disbursements

Child Well Being

Telephone Usage

Employment Support Services

CIS/ASSIST

Payroll and Timekeeping

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Redford District internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. Our audit disclosed several instances of noncompliance with FIA policies and procedures, and weaknesses in internal controls, which are detailed below.

DISTRICT RESPONSE

The management of the Redford District has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated May 2, 2000 that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

Daily Mail Record of Cash Receipts

1. The Redford District did not use the Daily Mail Record of Cash Receipts (FIA-4729) for all negotiables received for deposit. Instead the District used the Record and Disposition of Checks/Warrants (FIA-61) to record all negotiables received in the mail. Accounting Manual Item 431 states that a FIA-4729 is to be used to record negotiables received for deposit.

WE RECOMMEND that the Redford District record all negotiables for deposit on the FIA-4729.

Frequency of Deposits

2. Redford District did not make bank deposits weekly, as required by Accounting Manual Item 430. Rather, the district was making deposits twice a month. Depositing the receipts weekly increases interest earned and helps to prevent funds from being misplaced or stolen while on hand in the local office.

WE RECOMMEND that Redford District deposit its cash receipts at least once each week.

FIA-61 Log Reconciliation

3. The Redford District did not perform a weekly reconciliation of checks/warrants on hand to the open items on the Record and Disposition of Checks/Warrants (FIA-61), as required by Accounting Manual Item 460. A weekly reconciliation is necessary for timely detection of any warrants/checks that are lost or stolen, and to ensure that all checks/warrants on hand are properly recorded on the FIA-61. We also noted that the posting of disposition information to the FIA-61 was not up-to-date. Keeping the posting up to date facilitates the reconciliation process.

WE RECOMMEND that the Redford District perform a weekly reconciliation of checks/warrants on hand to the FIA-61, and keep posting of disposition information on the FIA-61 up-to-date.

Disposition of Warrants not Timely

4. Redford District did not dispose of returned warrants within 10 working days of receipt, as required by Accounting Manual Item 462. There were 19 warrants on hand at the time of our review that had been received in September 1999. Prompt disposition of returned warrants reduces the risk of loss or theft of those warrants.

WE RECOMMEND that the Redford District dispose of all returned warrants within 10 working days of their receipt.

Pending FIA-138's

5. Redford District did not maintain a pending Action Taken on State Treasurer's Warrants by Local Offices (FIA-138) file for warrants that were on hand waiting for the worker to determine the appropriate disposition. Accounting Manual Item 462 requires that local offices maintain a file of pending FIA-138's to be used for monitoring to ensure that workers return the FIA-138's timely with instructions for disposition of returned warrants.

WE RECOMMEND that Redford District keep pending FIA-138's on file for all warrants that are on hand.

Cash Disbursements

Authorized Signer – Separated Employee

6. The Redford District was using the previous District Manager's signature on all the locally issued checks. For Internal Control purposes, the district should use a signature plate with the current acting District Manager's signature, and should prepare a new signature card with current authorized personnel and file it with the bank. Removing separated employees from the signature card at the bank will reduce the risk of unauthorized payments being made.

WE RECOMMEND that Redford District prepare a new signature card at the bank and use the acting District Manager's signature on the locally issued checks.

DAFR 7310 and DAFR 3801 Reports

7. The Redford District was not generating the MAIN error reports DAFR 7310, (Manual Warrant Register) and DAFR 3801, (Manual Warrants that were cashed by clients but not entered into MAIN), and was not using those reports for reconciliation purposes. Use of these reports in the reconciliation process helps to ensure that information is correctly entered into MAIN and that errors are corrected.

WE RECOMMEND that the Redford District generate the DAFR 7310 and DAFR 3801 reports and reconcile the items with the MAIN system.

Safe and Controlled Documents

No findings in this area.

Medical Transportation

No findings in this area.

State Emergency Relief

Payment Authorization Files

8. The Redford District did not maintain the files of Supplemental Payment Authorizations (FIA-13), Authorization Invoices (FIA-849) and Medical Authorization Payments (FIA-93A) in either alphabetical or case number order, as required by Accounting Manual Item 404. Rather, the district was maintaining the FIA-13's in date order, and the FIA-849's and FIA-93A's attached to the monthly reconciliation report. Maintaining the FIA-13's and FIA-849's/FIA-93A's in either alphabetical or case number order provides an audit trail to easily detect how many

supplements or emergency payments a client has received, and makes the FIA-13's, FIA-849's and FIA-93A's easy to retrieve if needed at a later date.

WE RECOMMEND that Redford District maintain FIA-13's, FIA-849's and FIA-93A's in either alphabetical or case number order.

Employment Support Services

Auto Repair Overpayment

9. The Redford District made a vehicle repair payment for one client in the amount of \$1,125. According to Program Eligibility Manual (PEM) Item 232, ESS funds are to be used for auto repairs up to \$900 in a 12 month period when necessary for employment.

WE RECOMMEND that Redford District authorize vehicle repairs and payments in accordance with PEM 232.

Verification of Auto Ownership for Repairs

10. Redford District did not have verification of vehicle ownership for two clients in which auto repairs were authorized and paid. PEM Item 232 requires that an eligible group member own the vehicle that is being repaired.

WE RECOMMEND that Redford District obtain proof of vehicle ownership prior to authorizing payment for repair of the vehicle.

Client Processing

No findings in this area.

CIS/ASSIST

CIS Security Agreements

11. The Redford District did not have accurate, up-to-date CIS Security Agreements (FIA-3974A) on file for three employees who access the Client Information System (CIS), as required by L-Letter 97-063. Accurate, up-to-date Security Agreements provide documentation that the employee understands the security and confidentiality requirements for his/her level of access to CIS.

WE RECOMMEND that the Redford District ensure that all employees who have access to the CIS system have an accurate, up-to-date CIS Security Agreement (FIA-3974A) on file, and that the status codes on the Security Agreement are consistent with the status code on the PF-011 report.

Off Site Storage of Tapes

12. The Redford District did not maintain backup tapes for its Local Office Automation (LOA) System at an off-site location. Backup tapes should be stored off-site to protect them in the event of a flood, fire, or other disaster, to ensure that the District would be able to reconstruct its records if necessary.

WE RECOMMEND that Redford District maintain a backup tape of its LOA System at an off-site storage location.

CIS Status Codes

13. One fiscal clerk at the Redford District had an FLM status code on the Client Information System (CIS). This status code allows the fiscal clerk to make changes to client cases and then process payments to those same cases.

WE RECOMMEND that Redford District change the fiscal clerk to inquiry only status on CIS.

CIS/ASSIST Status Codes

14. One Assistance Payments (AP) Supervisor at the Redford District had FIS status on CIS, and was assigned Job Types 280 and 360 on ASSIST. This combination would allow the AP Supervisor to register and open cases, and process case transactions without independent review of those transactions.

WE RECOMMEND that the Redford District either, change the AP Supervisor to inquiry only status on CIS and remove job type 360 from the AP Supervisor on ASSIST, or have an independent person review all transactions processed by the AP Supervisor.

MA-010 Reconciliation - Supplemental Payments

15. The Redford District did not reconcile 100% of the Supplemental Payments listed on the Transaction Control Listing (MA-010) to the Supplemental Payment Authorization and other supporting documentation, as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. Reconciling 100% of the Supplemental Payments helps to ensure that the payments are accurate and appropriate.

WE RECOMMEND the Redford District reconcile 100% of the Supplemental Payments on the MA-010 to the FIA-13's and other supporting documentation.

MA-010 Reconciliation – Case Openings and Warrants Rewrite

16. Redford District did not reconcile a sample of the case openings and warrant rewrites listed on the Transaction Control Listing (MA-010) to the Supplemental Payment Authorization and other supporting documentation, as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. Reconciling a sample of the case openings and warrant rewrites helps to ensure that the payments are accurate and appropriate.

WE RECOMMEND that the Redford District reconcile a sample of the case openings and warrant rewrites on the MA-010 to the FIA-13's and other supporting documentation.

IRS Information Security

Knowledge of IRS Security Procedures

17. The Mailroom staff, Family Independence Specialists (FIS), and Eligibility Specialists (ES) at Redford District were unaware of the proper procedures to follow for confidential information received from the IRS. Program Administrative Manual (PAM) Item 803 states that local offices should ensure that their staff understands all aspects of the confidentiality laws. Staff understanding of the laws is necessary to ensure that confidentiality is maintained for all information received from the IRS.

WE RECOMMEND that Redford District familiarize staff with all aspects of the confidentiality laws for information received from the IRS.

Payroll and Timekeeping

No finding in this area.

Procurement Card

No finding in this area.

Telephone Usage

Calling Cards

18. The Redford District had 94 calling cards issued to the employees. Their records indicated that 23 employees had returned the cards, but only 22 calling cards were on hand. The missing calling card may have been lost or stolen.

WE RECOMMEND that Redford District either locate the missing calling card, or cancel it so that it cannot be misused.

Child Well Being

FIA-2506 Forms

19. The Redford District did not have three Child Well Being referral forms (FIA-2506) on file for those items on the referral log. Also, there were four cases that had an FIA-2506 on file but were not recorded on the log. According to the Child Well Being process, each referral is to be logged, and a FIA-2506 prepared, a copy sent to the Child Well Being coordinator, and a copy maintained for the records at the district office.

WE RECOMMEND that the Redford District review and update the Child Well Being records to properly account for the referrals made to the Wayne County Child Well Being Coordinator.